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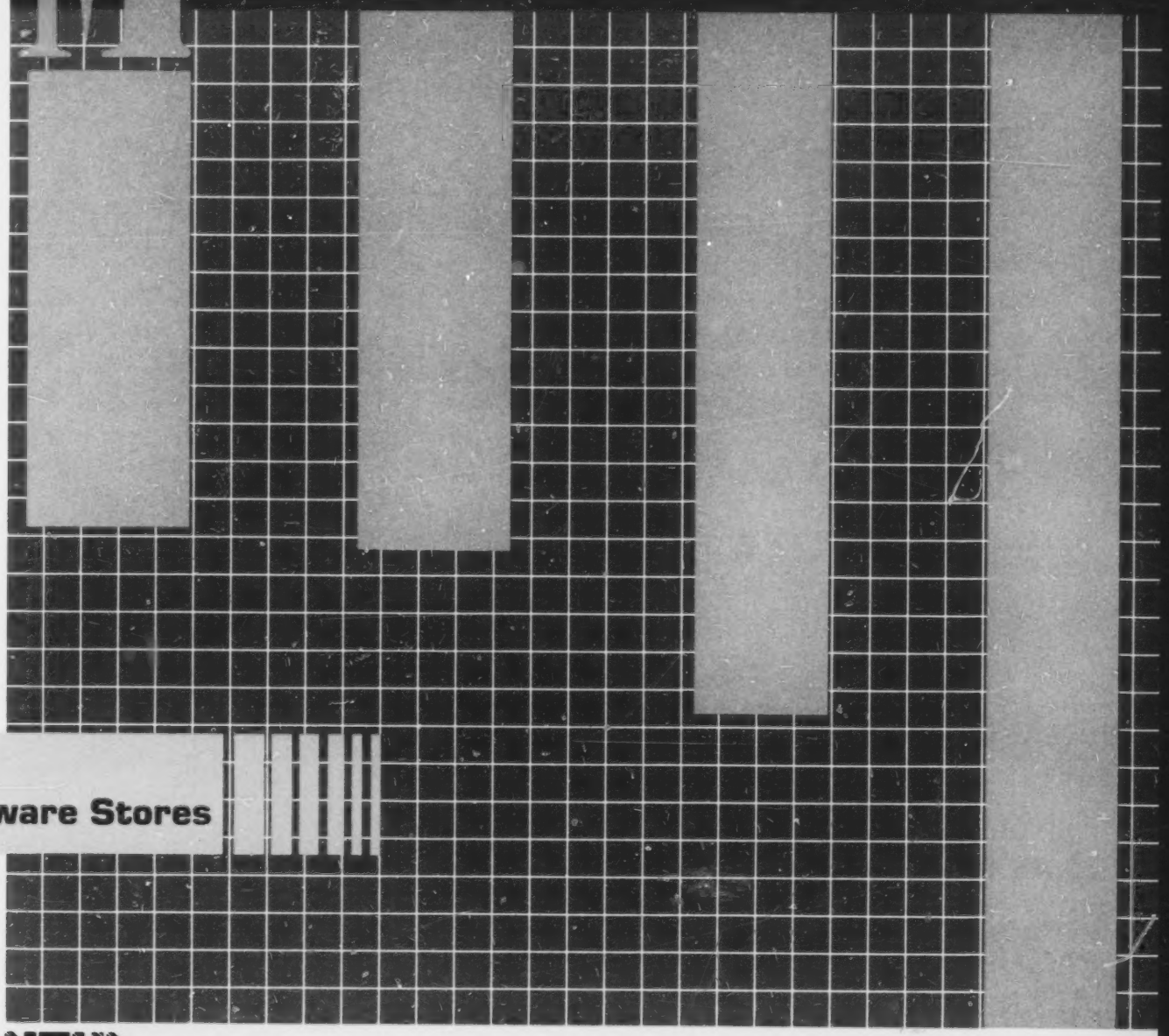
THE 1985 MANAGEMENT REPORT



For Hardware Stores

NRHA
National Retail Hardware Association

$20.00

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Introduction

The Management Report

The 1985 Management Report presents financial operating data, for the retail hardware industry. The Report is designed to fulfill several objectives:

- To assess the financial performance of the retail hardware industry in 1984
- To provide comparative financial data so that retailers can measure their performance against other industry members
- To provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels.

Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Three Major Sections

The Management Report is divided into three major sections: Average Operating Results, Strategic Profit Model and Departmental Sales. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In **Departmental Sales,** information is presented on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor, inventory and cost of goods sold are outlined both for handling firms only and for an average store profile. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following store types:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location: Part I
- Store Location: Part II
- Geographical Region
- Number of Stores

Methodology

The Management Report is made possible only through the cooperation of the retail hardware men and women who provided us with detailed information on their operation. Mail questionnaires were sent to hardware store operators in February. Eight hundred and five usable returns were received by June 15, 1985 in time for inclusion in this year's Report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** The data was keypunched by a service bureau and then processed by our own data processing department.

As thanks for their contributive efforts, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor, geographical area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to The Management Report for Hardware Stores are The Bottom Line for home centers and The Profit Report for DIY Lumber Outlets.

For Assistance

Assistance and aid in interpreting The 1985 Management Report may be obtained from your regional Hardware Association or the National Retail Hardware Association.

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Highlights

1984 sales at $676,017 reflect a 19.2 percent increase over last year's average. The increase in sales as reported by participating dealers was 7.6 percent. Dealers experienced an increase in the cost of goods sold which led to a lower gross margin. Expenses were down this year due to decreases reported in salaries and occupancy expenses. Other costs of doing business were down from 9.31 to 9.27 percent. Due to the overall decrease in expenses, net profit is up from 2.73 in 1983 to 2.90 in 1984.

Type of Hardware Store	Net Sales $	Sales Increase Over 1983* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Hardware Stores	676,017	+ 7.60	34.04	2.90	11.08	2.59
Low Profit	487,251	+ 5.11	32.10	(3.78)	(23.61)	2.21
High Profit	651,980	+ 8.96	38.97	8.94	24.55	2.42
Sales Volume Size						
Under $250,000	169,385	- 1.74	36.02	.55	1.76	1.64
$250,000 to $499,999	361,907	+ 4.70	36.07	2.76	9.23	2.02
$500,000 to $749,999	615,517	+ 6.34	36.35	3.40	12.54	2.25
$750,000 or more	1,418,886	+ 9.81	32.74	3.01	12.34	3.08
Sales Floor Size						
Under 3,000 Sq. Ft.	294,779	+ 6.93	35.91	3.92	12.21	2.34
3,000 to 4,999 St. Ft.	529,901	+ 7.23	31.28	3.11	12.05	2.93
5,000 to 9,999 Sq. Ft.	697,848	+ 7.67	35.65	3.02	10.24	2.40
10,000 Sq. Ft. or more	1,362,636	+ 8.64	34.60	2.87	12.53	2.75
Type of Ownership						
Proprietorship	325,259	+ 5.70	36.72	3.31	10.60	2.27
Partnership	347,633	+ 4.62	34.62	3.59	12.63	2.23
Corporation	755,898	+ 7.95	34.06	3.01	11.77	2.65
Trade Area Size						
M.S.A.-Central City	640,677	+11.27	39.48	3.48	19.36	3.03
M.S.A.-Suburban	980,861	+ 6.27	36.21	4.73	17.02	2.46
Cities-10,000-50,000	779,852	+ 6.92	35.11	2.54	10.30	2.59
Rural Areas Under 10,000	587,886	+ 7.39	35.57	2.63	9.19	2.56
Store Location: Part I						
Downtown	563,660	+ 6.57	35.20	2.72	8.04	2.42
Suburban	821,365	+ 9.18	34.09	3.30	14.69	2.79
Rural	753,956	+ 7.71	29.42	2.42	12.10	2.81
Store Location: II						
Shopping Center—Neighborhood	593,243	7.78	36.78	2.79	13.73	2.39
Shopping Center—Community or Regional	582,349	5.88	36.72	3.09	11.68	2.25
Free-Standing—No Stores Adjacent	1,007,696	9.72	29.79	2.89	14.01	3.20
Free-Standing—Stores Nearby	617,306	7.15	34.97	3.15	9.97	2.56

*As Reported by The Management Report Contributors.

Monthly Sales

Industry averages shown below give the average percent of sales by month. January, February, May and June showed significant increases in percent of sales over 1983 indicating strong sales in early 1984. December dropped from 11.5 percent of sales in 1983 to 10.3 percent in 1984.

	%
January	6.4
February	5.8
March	6.8
April	8.4
May	9.9
June	10.1
July	8.7
August	8.5
September	8.1
October	8.4
November	8.6
December	10.3

Average Operating Results

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/ benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment: gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

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Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	805	217	213
Net Sales Volume	$676,017	$487,251	$651,980
Current Year's Sales vs. Previous Year*	+7.60%	+5.11%	+8.96%
Gross Sales	102.14%	102.84%	102.08%
Less: Total Deductions	2.14	2.84	2.08
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	67.00	69.01	62.11
Margin Before Purchase Rebate or Patronage Dividend	33.00	30.99	37.89
Purchase Rebate or Patronage Dividend	1.04	1.11	1.08
Margin After Purchase Rebate or Patronage Dividend	34.04	32.10	38.97
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.93	5.41	5.27
Salaries/Wages — Other Employees	11.01	11.20	11.21
Federal and State Payroll Taxes	1.39	1.49	1.52
Group Insurance	.66	.86	.70
Benefit Plans	.43	.25	.59
Total Payroll and Other Employee Expense	18.42	19.21	19.29
Occupancy Expense			
Heat, Light, Power, Water	1.17	1.36	1.11
Building Repairs and Maintenance	.25	.25	.23
Rent or Ownership in Real Estate**	3.53	4.30	3.24
Total Occupancy Expense	4.95	5.91	4.58
Other Costs of Doing Business			
Office Supplies and Postage	.43	.55	.38
Advertising and Promotion	2.28	2.98	2.09
Donations	.07	.05	.11
Telephone and Telegraph	.34	.45	.29
Bad Debts	.15	.18	.15
Credit Card Expense (Bank Charges)	.11	.09	.12
Delivery Expenses (Other than Wages)	.50	.60	.38
Leasing Expenses (Non-Occupancy)	.08	.13	.10
Insurance (Other than Real Estate and Group)	.64	.71	.59
Taxes (Other than Real Estate and Payroll)	.31	.23	.31
Interest (Other than Real Estate)	1.53	2.72	.94
Depreciation (Other than Real Estate)	.94	1.20	.83
Store and Shop Supplies	.44	.56	.44
Legal and Accounting	.41	.53	.37
Computer Services and Expenses (Other than Wages)	.13	.15	.10
Dues and Subscriptions	.09	.12	.09
Travel, Buying, Entertainment	.25	.31	.22
Miscellaneous Services (Laundry, Disposal, Etc.)	.12	.19	.12
Unclassified Expenses	.45	.58	.46
Total Other Costs of Doing Business	9.27	12.33	8.09
Total Operating Expenses	32.64	37.45	31.96
Operating Profit or Loss	1.40	- 5.35	7.01
Other Income	1.50	1.57	1.93
Net Operating Profit or Loss (Before Income Taxes)	2.90	- 3.78	8.94

*As reported to us by The Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance Depreciation and Interest for Mortgages on Land and Buildings.
†Defined as the bottom twenty-five percent of all contributors based on Net Profit.
††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Stores

Balance Sheet Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Total Dollar Assets	$341,462	$261,711	$353,479
	% of Total Assets		
Assets			
Cash On Hand and In Bank	5.73	1.34	9.38
Notes and Installment Contracts Receivable	3.65	3.40	2.96
Accounts Receivable	10.71	10.04	8.24
Merchandise Inventory (End of Year)	52.31	58.06	49.14
Other Current Assets	1.64	2.51	1.20
Total Current Assets	74.04	75.35	70.92
Stocks and Bonds	7.75	4.96	7.85
Real Estate (Not Used In Business)	.78	1.30	1.45
Other Investments	3.22	2.38	4.41
Total Investments	11.75	8.64	13.71
Land (Owned and Used In Business)	1.56	1.65	1.93
Buildings (Owned and Used in Business Less Depreciation)	4.98	6.04	6.39
Leasehold Improvements (Less Amortization Allowance)	.90	.93	.98
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	5.07	6.09	3.88
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.17	1.24	1.27
Other Fixed Assets	.53	.06	.92
Total Fixed Assets	14.21	16.01	15.37
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.50	11.89	6.87
Current Portion of Notes Payable	3.99	5.36	2.86
Accrued Payroll Taxes	.54	.51	.73
Accrued Other Taxes	1.26	1.15	1.40
Other Accrued Expenses	1.82	1.86	1.22
Other Current Liabilities	3.07	4.51	1.39
Total Current Liabilities	21.18	25.28	14.47
Notes Due Partners/Officers	9.41	13.25	6.84
Mortgage Payable	3.80	6.45	3.57
Long Term Debt	13.10	24.47	7.49
Other Long Term Liabilities	.84	.70	.44
Total Long Term Liabilities	27.15	44.87	18.34
Total Liabilities	48.33	70.15	32.81
Net Worth	51.67	29.85	67.19
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	11.08%	- 23.61%	24.55%
Active Owner's Return	29.98%	10.15%	39.01%
Current Asset Ratio	3.49x	2.98x	4.90x
Quick Asset Ratio	1.03x	.68x	1.51x
Total Debt to Tangible Net Worth	93.57%	235.01%	48.83%
Stock Turn Times	2.59x	2.21x	2.42x
Sales to Inventory Ratio	3.87x	3.20x	3.89x
Average Inventory per Sq. Ft. Sales Area	$31.14	$28.05	$31.38
Net Sales to Accounts Receivable	18.49x	18.54x	22.39x
Net Sales to Total Assets	1.98x	1.86x	1.84x
Net Sales to Net Worth	3.83x	6.24x	2.75x
Net Sales to Net Working Capital	3.75x	3.72x	3.27x
Other Operating Data			
Incoming Freight — % of Purchases	.92%	1.05%	1.15%
Credit Sales — % of Total Gross Sales	31.86%	28.37%	32.58%
Consumer Sales — % of Total Gross Sales	78.13%	81.33%	74.89%
Selling Area — Square Feet	6,161	5,859	5,835
Sales Per Square Foot — Selling Area	$111.73	$83.83	$115.32
Total Area — Square Feet	9,341	8,480	9,347
Sales Per Square Foot — Total Area	$74.05	$59.67	$71.09
Sales Per Person Employed	$61,530	$63,167	$43,236
Sales Per Customer	$11.01	$9.51	$8.55

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Number of Stores	179	247	141	238
Net Sales Volume	$169,385	$361,907	$615,517	$1,418,886
Current Year's Sales vs. Previous Year*	-1.74%	+4.70%	+6.34%	+9.81%
Gross Sales	101.95%	102.04%	101.59%	102.32%
Less: Total Deductions	1.95	2.04	1.59	2.32
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.85	64.95	64.73	68.32
Margin Before Purchase Rebate or Patronage Dividend	35.15	35.05	35.27	31.68
Purchase Rebate or Patronage Dividend	.87	1.02	1.08	1.06
Margin After Purchase Rebate or Patronage Dividend	36.02	36.07	36.35	32.74
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	7.50	6.05	5.20	4.33
Salaries/Wages — Other Employees	8.67	10.68	11.73	11.15
Federal and State Payroll Taxes	1.18	1.40	1.41	1.41
Group Insurance	.65	.71	.64	.65
Benefit Plans	.15	.21	.25	.56
Total Payroll and Other Employee Expense	18.15	19.05	19.23	18.10
Occupancy Expense				
Heat, Light, Power, Water	1.87	1.37	1.29	1.02
Building Repairs and Maintenance	.24	.22	.20	.26
Rent or Ownership in Real Estate**	4.72	3.58	3.80	3.33
Total Occupancy Expenses	6.83	5.17	5.29	4.61
Other Costs of Doing Business				
Office Supplies and Postage	.60	.50	.63	.34
Advertising and Promotion	2.31	2.43	2.42	2.20
Donations	.10	.08	.06	.07
Telephone and Telegraph	.61	.39	.36	.29
Bad Debts	.22	.13	.16	.15
Credit Card Expense (Bank Charges)	.06	.10	.11	.13
Delivery Expenses (Other than Wages)	.92	.70	.45	.42
Leasing Expenses (Non-Occupancy)	.09	.08	.13	.06
Insurance (Other than Real Estate and Group)	1.01	.79	.78	.54
Taxes (Other than Real Estate and Payroll)	.35	.39	.41	.25
Interest (Other than Real Estate)	2.27	1.86	1.85	1.29
Depreciation (Other than Real Estate)	1.30	1.03	1.00	.86
Store and Shop Supplies	.59	.63	.42	.38
Legal and Accounting	.70	.55	.44	.34
Computer Services and Expenses (Other than Wages)	.03	.07	.09	.16
Dues and Subscriptions	.13	.11	.13	.08
Travel, Buying, Entertainment	.29	.28	.29	.24
Miscellaneous Services (Laundry, Disposal, etc.)	.15	.13	.09	.13
Unclassified Expenses	.57	.41	.44	.45
Total Other Costs of Doing Business	12.30	10.66	10.26	8.38
Total Operating Expenses	37.28	34.88	34.78	31.09
Operating Profit or Loss	-1.26	1.19	1.57	1.65
Other Income	1.81	1.57	1.83	1.36
Net Operating Profit or Loss (Before Income Taxes)	.55	2.76	3.40	3.01

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest on Mortgages for Land and Buildings.

Sales Volume Size

Balance Sheet Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Total Dollar Assets	$119,400	$208,619	$338,132	$648,314
		% of Total Assets		
Assets				
Cash On Hand and In Bank	5.20	5.67	6.57	5.56
Notes and Installment Contracts Receivable	2.91	3.53	3.16	3.94
Accounts Receivable	5.58	9.20	10.85	11.88
Merchandise Inventory (End of Year)	56.65	56.69	53.90	49.77
Other Current Assets	1.18	1.50	1.21	1.88
Total Current Assets	71.52	76.59	75.69	73.03
Stocks and Bonds	6.40	6.80	5.82	8.85
Real Estate (Not Used in Business)	3.50	.51	.32	.63
Other Investments	1.53	1.86	4.04	3.66
Total Investments	11.43	9.17	10.18	13.14
Land (Owned and Used in Business)	1.67	1.80	1.99	1.33
Buildings (Owned and Used in Bus. Less Depre.)	8.54	5.92	4.91	4.19
Leasehold Improvements (Less Amortization Allowance)	.60	.42	.81	1.13
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	4.29	4.59	4.77	5.43
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.84	1.31	1.11	1.05
Other Fixed Assets	.11	.20	.54	.70
Total Fixed Assets	17.05	14.24	14.13	13.83
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	7.83	8.1[illegible]	8.48	12.28
Current Portion of Notes Payable	2.33	3.38	4.02	4.42
Accrued Payroll Taxes	.61	.67	.69	.45
Accrued Other Taxes	1.04	1.09	.97	1.44
Other Accrued Expenses	1.02	1.32	1.35	2.24
Other Current Liabilities	3.49	2.84	2.01	3.41
Total Current Liabilities	16.32	17.45	17.52	24.24
Notes Due Partners/Officers	12.34	9.37	11.67	8.33
Mortgage Payable	8.83	5.10	4.69	2.39
Long Term Debt	17.51	15.44	14.78	11.19
Other Long Term Liabilities	.93	.75	1.88	.53
Total Long Term Liabilities	39.61	30.66	33.02	22.44
Total Liabilities	55.93	48.11	50.54	46.68
Net Worth	44.07	51.89	49.46	53.32
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	1.76%	9.23%	12.54%	12.34%
Active Owner's Return	25.90%	29.46%	31.67%	30.13%
Current Asset Ratio	4.38x	4.39x	4.32x	3.01x
Quick Asset Ratio	.91x	1.14x	1.24x	.96x
Total Debt to Tangible Net Worth	126.98%	92.70%	102.22%	87.55%
Stock Turn Times	1.64x	2.02x	2.25x	3.08x
Sales to Inventory Ratio	2.52x	3.11x	3.47x	4.50x
Average Inventory per Sq. Ft. Sales Area	$20.78	$25.94	$31.82	$36.40
Net Sales to Accounts Receivable	25.42x	18.85x	16.77x	18.43x
Net Sales to Total Assets	1.42x	1.73x	1.82x	2.19x
Net Sales to Net Worth	3.22x	3.34x	3.68x	4.10x
Net Sales to Net Working Capital	2.57x	2.93x	3.13x	4.49x
Other Operating Data				
Incoming Freight — % of Purchases	1.20%	1.19%	.98%	.81%
Credit Sales — % of Total Gross Sales	26.70%	34.04%	32.51%	31.58%
Consumer Sales — % of Total Gross Sales	81.07%	76.48%	76.39%	78.74%
Selling Area — Square Feet	3,311	4,748	6,235	9,512
Sales Per Square Foot — Selling Area	$50.70	$76.13	$99.08	$151.41
Total Area — Square Feet	4,646	6,699	10,461	14,552
Sales Per Square Foot — Total Area	$36.11	$54.44	$59.70	$98.76
Sales Per Person Employed	$16,664	$58,569	$67,322	$80,363
Sales Per Customer	$4.27	$7.63	$9.43	$14.09

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Number of Stores	121	196	254	109
Net Sales Volume	$294,779	$529,901	$697,848	$1,362,636
Current Year's Sales vs. Previous Year*	+6.93%	+7.23%	+7.67%	+8.64%
Gross Sales	101.84%	101.70%	101.90%	102.97%
Less: Total Deductions	1.84	1.70	1.90	2.97
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.74	69.57	65.51	66.58
Margin Before Purchase Rebate or Patronage Dividend	35.26	30.43	34.49	33.42
Purchase Rebate or Patronage Dividend	.65	.85	1.16	1.18
Margin After Purchase Rebate or Patronage Dividend	35.91	31.28	35.65	34.60
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	6.49	5.10	5.65	4.04
Salaries/Wages — Other Employees	10.52	9.18	11.63	11.71
Federal and State Payroll Taxes	1.53	1.25	1.45	1.45
Group Insurance	.63	.62	.69	.64
Benefit Plans	.31	.25	.43	.71
Total Payroll and Other Employee Expense	19.48	16.40	19.85	18.55
Occupancy Expense				
Heat, Light, Power, Water	1.20	1.13	1.14	1.19
Building Repairs and Maintenance	.17	.36	.25	.21
Rent or Ownership in Real Estate**	3.22	3.29	3.55	3.88
Total Occupancy Expense	4.59	4.78	4.94	5.28
Other Costs of Doing Business				
Office Supplies and Postage	.51	.38	.48	.40
Advertising and Promotion	1.83	1.70	2.37	2.69
Donations	.08	.08	.07	.08
Telephone and Telegraph	.39	.32	.34	.32
Bad Debts	.07	.15	.16	.13
Credit Card Expense (Bank Charges)	.09	.09	.12	.15
Delivery Expenses (Other than Wages)	.85	.51	.47	.36
Leasing Expenses (Non-Occupancy)	.06	.09	.05	.11
Insurance (Other than Real Estate and Group)	.78	.62	.72	.50
Taxes (Other than Real Estate and Payroll)	.31	.31	.39	.24
Interest (Other than Real Estate)	1.24	1.38	1.44	1.42
Depreciation (Other than Real Estate)	1.01	.91	.89	.89
Store and Shop Supplies	.62	.41	.42	.41
Legal and Accounting	.55	.41	.44	.32
Computer Services and Expenses (Other than Wages)	.05	.10	.15	.14
Dues and Subscriptions	.08	.09	.10	.09
Travel, Buying, Entertainment	.22	.23	.25	.26
Miscellaneous Services (Laundry, Disposal, etc.)	.14	.08	.11	.17
Unclassified Expenses	.42	.35	.42	.61
Total Other Costs of Doing Business	9.30	8.21	9.39	9.29
Total Operating Expenses	33.37	29.39	34.18	33.12
Operating Profit or Loss	2.54	1.89	1.47	1.48
Other Income	1.38	1.22	1.55	1.39
Net Operating Profit or Loss (Before Income Taxes)	3.92	3.11	3.02	2.87

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest on Mortgages on Land and Buildings.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$158,298	$247,913	$383,852	$616,021
		% of Total Assets		
Assets				
Cash On Hand and In Bank	9.47	7.04	5.80	4.99
Notes and Installment Contracts Receivable	2.77	2.87	4.00	4.32
Accounts Receivable	9.85	9.25	11.90	8.87
Merchandise Inventory (End of Year)	52.76	51.71	50.76	54.77
Other Current Assets	1.79	1.21	1.46	2.14
Total Current Assets	76.64	72.08	73.92	75.09
Stocks and Bonds	5.34	7.57	9.51	6.86
Real Estate (Not Used in Business)	3.35	.67	.51	1.01
Other Investments	2.61	2.62	2.52	4.57
Total Investments	11.30	10.86	12.54	12.44
Land (Owned and Used in Business)	2.45	1.86	1.44	1.26
Buildings (Owned and Used in Bus. Less Depre.)	3.39	6.14	5.54	3.22
Leasehold Improvements (Less Amortization Depreciation)	.82	.79	.90	1.08
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	3.68	6.53	3.73	5.67
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.58	1.11	1.05	.96
Other Fixed Assets	.14	.63	.88	.28
Total Fixed Assets	12.06	17.06	13.54	12.47
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	8.49	10.33	10.00	12.30
Current Portion of Notes Payable	1.52	3.98	3.81	4.89
Accrued Payroll Taxes	.67	.67	.49	.55
Accrued Other Taxes	.96	1.19	1.10	1.60
Other Accrued Expenses	1.73	1.39	1.30	2.36
Other Current Liabilities	1.90	2.48	3.28	3.69
Total Current Liabilities	15.27	20.04	19.98	25.39
Notes Due Partners/Officers	7.74	7.25	9.43	7.23
Mortgage Payable	3.88	4.72	3.27	4.07
Long Term Debt	12.50	12.15	12.80	12.17
Other Long Term Liabilities	.87	.81	.90	.46
Total Long Term Liabilities	24.99	24.93	26.40	23.93
Total Liabilities	40.26	44.97	46.38	49.32
Net Worth	59.74	55.03	53.62	50.68
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	12.21%	12.05%	10.24%	12.53%
Active Owner's Return	32.45%	31.86%	29.41%	30.17%
Current Asset Ratio	5.02x	3.60x	3.70x	2.96x
Quick Asset Ratio	1.56x	1.02x	1.16x	.80x
Total Debt to Tangible Net Worth	67.38%	81.73%	86.47%	97.28%
Stock Turn Times	2.34x	2.93x	2.40x	2.75x
Sales to Inventory Ratio	3.61x	4.21x	3.67x	4.13x
Average Inventory per Sq. Ft. Sales Area	$40.36	$35.33	$31.26	$27.19
Net Sales to Accounts Receivable	18.91x	23.10x	15.28x	24.94x
Net Sales to Total Assets	1.86x	2.14x	1.82x	2.21x
Net Sales to Net Worth	3.12x	3.88x	3.39x	4.36x
Net Sales to Net Working Capital	3.03x	4.11x	3.37x	4.45x
Other Operating Data				
Incoming Freight — % of Purchases	.83%	.66%	.99%	.99%
Credit Sales — % of Total Gross Sales	38.33%	33.47%	33.13%	26.84%
Consumer Sales — % of Total Gross Sales	73.27%	80.28%	77.15%	80.44%
Selling Area — Square Feet	2,095	3,796	6,609	13,732
Sales Per Square Foot — Selling Area	$140.19	$135.44	$105.47	$100.62
Total Area — Square Feet	3,907	6,968	10,045	19,106
Sales Per Square Foot — Total Area	$74.53	$78.59	$70.60	$72.14
Sales Per Person Employed	$63,339	$78,162	$47,728	$68,206
Sales Per Customer	$7.56	$15.41	$10.39	$9.47

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Type of Ownership

Income Statement Data	Sole Proprietorship	Partnership	Corporation
Number of Stores	124	33	597
Net Sales Volume	$325,259	$347,633	$755,898
Current Year's Sales vs. Previous Year*	+5.70%	+4.62%	+7.95%
Gross Sales	103.13%	103.10%	102.10%
Less: Total Deductions	3.13	3.10	2.10
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.21	66.64	66.98
Margin Before Purchase Rebate or Patronage Dividend	35.79	33.36	33.02
Purchase Rebate or Patronage Dividend	.93	1.26	1.04
Margin After Purchase Rebate or Patronage Dividend	36.72	34.62	34.06
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.93	5.84	5.14
Salaries/Wages — Other Employees	10.85	9.81	11.09
Federal and State Payroll Taxes	1.17	1.13	1.43
Group Insurance	.66	.47	.67
Benefit Plans	.43	.11	.45
Total Payroll and Other Employee Expense	17.04	17.36	18.78
Occupancy Expense			
Heat, Light, Power, Water	1.41	1.54	1.13
Building Repairs and Maintenance	.42	.19	.24
Rent or Ownership in Real Estate**	4.61	3.68	3.42
Total Occupancy Expense	6.44	5.41	4.79
Other Costs of Doing Business			
Advertising and Promotion	2.52	2.14	2.25
Insurance (Other than Real Estate or Group)	.65	.69	.65
Taxes (Other than Real Estate and Payroll)	.24	.70	.31
Interest (Other than Real Estate)	1.48	1.32	1.46
Depreciation (Other than Real Estate)	1.12	.98	.90
All Other Expenses	4.88	3.99	3.45
Total Other Costs of Doing Business	10.89	9.82	9.02
Total Operating Expense	34.37	32.59	32.59
Operating Profit or Loss	2.35	2.03	1.47
Other Income	.96	1.56	1.54
Net Operating Profit or Loss (Before Income Taxes)	3.31	3.59	3.01
Financial Performance			
Profit on Investment	10.60%	12.63%	11.77%
Active Owner's Return	23.19%	33.14%	31.92%
Current Asset Ratio	4.08x	5.22x	3.40x
Quick Asset Ratio	.87x	1.29x	1.03x
Total Debt to Tangible Net Worth	83.83%	88.68%	92.15%
Stock Turn Times	2.27x	2.23x	2.65x
Sales to Inventory Ratio	3.53x	3.34x	3.96x
Average Inventory per Sq. Ft. Sales Area	$22.57	$23.49	$32.85
Net Sales to Accounts Receivable	32.00x	18.25x	18.18x
Net Sales to Total Assets	1.74x	1.86x	2.04x
Net Sales to Net Worth	3.21x	3.51x	3.92x
Net Sales to Net Working Capital	3.55x	3.05x	3.83x
Other Operating Data			
Incoming Freight — % of Purchases	.97%	.92%	.90%
Credit Sales — % of Total Gross Sales	23.74%	33.30%	32.65%
Consumer Sales — % of Total Gross Sales	80.55%	79.65%	77.24%
Selling Area — Square Feet	4,200	4,473	6,644
Sales Per Square Foot — Selling Area	$78.78	$71.98	$118.72
Total Area — Square Feet	5,856	6,572	10,171
Sales Per Square Foot — Total Area	$58.00	$54.86	$76.89
Sales Per Person Employed	$56,784	$53,771	$61,542
Sales Per Customer	$9.43	$4.38	$11.42

*As reported to us by The Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Trade Area Size

Income Statement Data	M.S.A.† Central City	M.S.A.† Suburban	Cities 10,000 To 50,000	Towns Under 10,000
Number of Stores	102	62	191	436
Net Sales Volume	$640,677	$980,861	$779,852	$587,886
Current Year's Sales vs. Previous Year*	+11.27%	+6.27%	+6.92%	+7.39%
Gross Sales	103.02%	102.64%	102.54%	101.57%
Less: Total Deductions	3.02	2.64	2.54	1.57
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	61.31	64.97	66.02	69.45
Margin Before Purchase Rebate or Patronage Dividend	38.69	35.03	33.98	30.55
Purchase Rebate or Patronage Dividend	.79	1.18	1.13	1.02
Margin After Purchase Rebate or Patronage Dividend	39.48	36.21	35.11	31.57
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	6.75	4.57	5.16	4.53
Salaries/Wages — Other Employees	11.99	11.82	12.10	9.89
Federal and State Payroll Taxes	1.59	1.54	1.45	1.27
Group Insurance	.78	.69	.63	.63
Benefit Plans	.62	.59	.41	.36
Total Payroll and Other Employee Expense	21.73	19.21	19.75	16.68
Occupancy Expense				
Heat, Light, Power, Water	1.16	1.24	1.15	1.15
Building Repairs and Maintenance	.32	.17	.20	.28
Rent or Ownership in Real Estate**	4.31	3.98	3.53	3.22
Total Occupancy Expense	5.79	5.39	4.88	4.65
Other Costs of Doing Business				
Advertising and Promotion	2.40	2.26	2.48	2.12
Insurance — Other than Real Estate or Group	.66	.57	.66	.65
Taxes — Other than Real Estate or Payroll	.34	.30	.36	.27
Interest — Other than Real Estate	1.18	1.26	1.56	1.61
Depreciation — Other than Real Estate	.92	.86	.86	.98
All Other Expenses	4.24	3.01	3.48	3.61
Total Other Costs of Doing Business	9.74	8.26	9.40	9.24
Total Operating Expenses	37.26	32.86	34.03	30.57
Operating Profit or Loss	2.22	3.35	1.08	1.00
Other Income	1.26	1.38	1.46	1.63
Net Operating Profit or Loss (Before Income Taxes)	3.48	4.73	2.54	2.63
Financial Performance				
Profit on Investment	19.36%	17.02%	10.30%	9.19%
Active Owner's Return	56.91%	33.46%	31.19%	25.02%
Current Asset Ratio	2.99x	4.10x	3.22x	3.66x
Quick Asset Ratio	.85x	1.14x	.98x	1.08x
Total Debt to Tangible Net Worth	121.93%	71.85%	97.25%	89.91%
Stock Turn Times	3.03x	2.46x	2.59x	2.56x
Sales to Inventory Ratio	4.94x	3.78x	3.92x	3.69x
Average Inventory per Sq. Ft. Sales Area	$27.48	$38.20	$33.78	$29.22
Net Sales to Accounts Receivable	35.54x	26.55x	17.95x	15.73x
Net Sales to Total Assets	2.51x	2.09x	2.05x	1.84x
Net Sales to Net Worth	5.56x	3.60x	4.05x	3.49x
Net Sales to Net Working Capital	5.12x	3.55x	3.91x	3.49x
Other Operating Data				
Incoming Freight — % of Purchases	.48%	1.04%	1.01%	.92%
Credit Sales — % of Total Gross Sales	30.12%	29.14%	34.22%	30.92%
Consumer Sales — % of Total Gross Sales	71.99%	79.94%	75.98%	80.31%
Selling Area — Square Feet	5,355	7,855	7,003	5,728
Sales Per Square Foot — Selling Area	$125.27	$123.28	$119.25	$102.58
Total Area — Square Feet	7,324	13,573	10,336	8,787
Sales Per Square Foot — Total Area	$91.40	$79.87	$80.09	$66.48
Sales Per Person Employed	$60,719	$71,737	$66,809	$56,773
Sales Per Customer	$8.96	$12.30	$10.66	$12.16

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†Metropolitan Statistical Area.

Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	336	267	81
Net Sales Volume	$563,660	$821,365	$753,956
Current Year's Sales vs. Previous Year*	+6.57%	+9.18%	+7.71%
Gross Sales	102.45%	101.73%	102.48%
Less: Total Deductions	2.45	1.73	2.48
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.68	67.12	71.18
Margin Before Purchase Rebate or Patronage Dividend	34.32	32.88	28.82
Purchase Rebate or Patronage Dividend	.88	1.21	.60
Margin After Purchase Rebate or Patronage Dividend	35.20	34.09	29.42
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	5.29	5.15	4.20
Salaries/Wages — Other Employees	11.71	10.73	8.63
Federal and State Payroll Taxes	1.47	1.34	1.27
Group Insurance	.78	.53	.72
Benefit Plans	.52	.40	.23
Total Payroll and Other Employee Expense	19.77	18.15	15.05
Occupancy Expenses			
Heat, Light, Power, Water	1.21	1.15	.95
Building Repairs and Maintenance	.25	.27	.35
Rent or Ownership in Real Estate**	3.48	3.56	3.09
Total Occupancy Expense	4.94	4.98	4.39
Other Costs of Doing Business			
Advertising and Promotion	2.30	2.36	1.93
Insurance (Other than Real Estate and Group)	.75	.55	.58
Taxes (Other than Real Estate and Payroll)	.36	.31	.21
Interest (Other than Real Estate)	1.37	1.51	1.48
Depreciation (Other than Real Estate)	.89	.89	1.08
All Other Expenses	4.03	3.29	3.31
Total Other Costs of Doing Business	9.70	8.91	8.59
Total Operating Expenses	34.41	32.04	28.03
Operating Profit or Loss	.79	2.05	1.39
Other Income	1.93	1.25	1.03
Net Operating Profit or Loss (Before Income Taxes)	2.72	3.30	2.42
Financial Performance			
Profit on Investment	9.04%	14.69%	12.10%
Active Owner's Return	23.65%	37.61%	33.06%
Current Asset Ratio	3.82x	3.47x	2.52x
Quick Asset Ratio	1.31x	.93x	.60x
Total Debt to Tangible Net Worth	71.29%	101.55%	118.90%
Stock Turn Times	2.42x	2.79x	2.81x
Sales to Inventory Ratio	3.68x	4.16x	3.95x
Average Inventory per Sq. Ft. Sales Area	$28.25	$31.47	$45.44
Net Sales to Accounts Receivable	12.73x	26.71x	22.82x
Net Sales to Total Assets	1.72x	2.21x	2.28x
Net Sales to Net Worth	2.95x	4.45x	4.99x
Net Sales to Net Working Capital	3.19x	4.19x	5.02x
Other Operating Data			
Incoming Freight — % of Purchases	1.01%	.83%	.80%
Credit Sales — % of Total Gross Sales	37.10%	26.64%	27.95%
Consumer Sales — % of Total Gross Sales	78.42%	76.94%	79.00%
Selling Area — Square Feet	5,762	6,848	6,007
Sales Per Square Foot — Selling Area	$97.48	$121.45	$128.52
Total Area — Square Feet	9,167	9,858	9,220
Sales Per Square Foot — Total Area	$60.52	$85.92	$84.90
Sales Per Person Employed	$46,772	$72,648	$79,754
Sales Per Customer	$12.10	$10.77	$9.49

*As reported to us by The Management Report contributors.

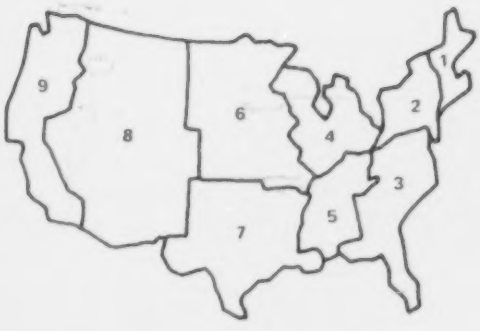
**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Store Location: Part II

Income Statement Data	Shopping Center: Neighborhood	Shopping Center: Community or Regional	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	110	77	138	361
Net Sales Volume	$593,243	$582,349	$1,007,696	$617,306
Current Year's Sales vs. Previous Year*	+7.78%	+5.88%	+9.72%	+7.15%
Gross Sales	102.06%	102.66%	101.36%	102.42%
Less: Total Deductions	2.06	2.66	1.36	2.42
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.56	64.49	71.25	65.94
Margin Before Purchase Rebate or Patronage Dividend	35.44	35.51	28.75	34.06
Purchase Rebate or Patronage Dividend	1.34	1.21	1.04	.91
Margin After Purchase Rebate or Patronage Dividend	36.78	36.72	29.79	34.97
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	6.13	5.76	3.90	5.22
Salaries/Wages — Other Employees	10.56	11.52	9.74	11.46
Federal and State Payroll Taxes	1.37	1.41	1.22	1.48
Group Insurance	.60	.61	.54	.74
Benefit Plans	.19	.47	.45	.52
Total Payroll and Other Employee Expense	18.85	19.77	15.85	19.42
Occupancy Expense				
Heat, Light, Power, Water	1.46	1.25	1.00	1.14
Building Repairs and Maintenance	.23	.15	.28	.29
Rent or Ownership in Real Estate**	4.34	4.56	2.81	3.47
Total Occupancy Expense	6.03	5.96	4.09	4.90
Other Costs of Doing Business				
Advertising and Promotion	2.73	2.26	1.97	2.27
Insurance (Other than Real Estate or Group)	.61	.69	.54	.69
Taxes (Other than Real Estate and Payroll)	.29	.36	.32	.27
Interest (Other than Real Estate)	2.00	1.31	1.47	1.28
Depreciation (Other than Real Estate)	1.00	1.03	.94	.88
All Other Expenses	3.53	3.51	3.07	3.82
Total Other Costs of Doing Business	10.16	9.16	8.31	9.21
Total Operating Expenses	35.04	34.89	28.25	33.53
Operating Profit or Loss	1.74	1.83	1.54	1.44
Other Income	1.05	1.26	1.35	1.71
Net Operating Profit or Loss (Before Income Taxes)	2.79	3.09	2.89	3.15
Financial Performance				
Profit on Investment	13.73%	11.68%	14.01%	9.97%
Active Owner's Return	43.87%	33.42%	32.84%	26.47%
Current Asset Ratio	3.58x	4.39x	3.10x	3.49x
Quick Asset Ratio	.79x	1.12x	.90x	1.17x
Total Debt to Tangible Net Worth	129.90%	79.35%	111.40%	73.89%
Stock Turn Times	2.39x	2.25x	3.20x	2.56x
Sales to Inventory Ratio	3.71x	3.49x	4.49x	3.88x
Average Inventory per Sq. Ft. Sales Area	$27.72	$28.74	$37.66	$30.03
Net Sales to Accounts Receivable	29.37x	25.53x	23.70x	14.27x
Net Sales to Total Assets	2.14x	2.11x	2.29x	1.82x
Net Sales to Net Worth	4.92x	3.78x	4.83x	3.16x
Net Sales to Net Working Capital	3.92x	3.34x	4.64x	3.52x
Other Operating Data				
Incoming Freight — % of Purchases	1.29%	.98%	.57%	.94%
Credit Sales — % of Total Gross Sales	23.17%	26.25%	31.48%	34.17%
Consumer Sales — % of Total Gross Sales	81.70%	79.43%	74.39%	77.36%
Selling Area — Square Feet	6,486	6,169	6,927	5,787
Sales Per Square Foot — Selling Area	$91.90	$91.53	$150.10	$107.77
Total Area — Square Feet	8,622	10,023	10,850	8,880
Sales Per Square Foot — Total Area	$70.40	$57.22	$99.93	$68.02
Sales Per Person Employed	$63,182	$60,165	$90,205	$50,269
Sales Per Customer	$6.33	$9.57	$16.00	$11.12

*As reported to us by The Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

*As reported to us by The Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Income Statement Data	1 New England
Number of Stores	106
Net Sales Volume	$600,135
Current Year's Sales vs. Previous Year*	+7.87%
Gross Sales	102.01%
Less: Total Deductions	2.01
Net Sales	100.00%
Cost of Goods Sold	65.32
Margin Before Purchase Rebate or Patronage Dividend	34.68
Purchase Rebate or Patronage Dividend	1.02
Margin After Purchase Rebate or Patronage Dividend	35.70
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	5.72
Salaries/Wages — Other Employees	11.24
Federal and State Payroll Taxes	1.63
Group Insurance	.91
Benefit Plans	.21
Total Payroll and Other Employee Expense	19.71
Occupancy Expense	
Heat, Light, Power, Water	1.11
Building Repairs and Maintenance	.11
Rent or Ownership in Real Estate**	3.91
Total Occupancy Expense	5.13
Total Costs of Doing Business	
Advertising and Promotion	2.00
Insurance (Other than Real Estate and Group)	.80
Taxes (Other than Real Estate and Payroll)	.29
Interest (Other than Real Estate)	1.48
Depreciation (Other than Real Estate)	.89
All Other Expenses	4.04
Total Other Costs of Doing Business	9.50
Total Operating Expense	34.34
Operating Profit or Loss	1.36
Other Income	2.59
Net Operating Profit or Loss (Before Income Taxes)	3.95

Financial Performance	
Profit on Investment	16.98%
Active Owner's Return	41.53%
Current Asset Ratio	3.80x
Quick Asset Ratio	1.18x
Total Debt to Tangible Net Worth	98.11%
Stock Turn Times	2.66x
Sales to Inventory Ratio	4.07x
Average Inventory Per Sq. Ft. Sales Area	$39.44
Net Sales to Accounts Receivable	17.80x
Net Sales to Total Assets	2.17x
Net Sales to Net Worth	4.29x
Net Sales to Net Working Capital	3.73x

Other Operating Data	
Incoming Freight — % of Purchases	.71%
Credit Sales — % of Total Gross Sales	42.19%
Consumer Sales — % of Total Gross Sales	75.58%
Selling Area — Square Feet	4,428
Sales Per Square Foot — Selling Area	$142.59
Total Area — Square Feet	6,693
Sales Per Square Foot — Total Area	$89.33
Sales Per Person Employed	$70,513
Sales Per Customer	$13.22

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
72	67	297	25	139	39	26	34
$644,913	$789,913	$705,459	$541,095	$508,601	$1,144,810	$845,190	$613,376
9.47%	13.74%	6.89%	7.79%	1.83%	10.00%	7.05%	12.87%
100.78%	101.25%	103.20%	101.84%	101.85%	101.11%	101.42%	101.19%
.78	1.25	3.20	1.84	1.85	1.11	1.42	1.19
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
66.12	65.89	66.87	69.63	68.10	72.17	67.93	60.76
33.88	34.11	33.13	30.37	31.90	27.83	32.07	39.24
.61	.76	1.53	.59	.71	.68	.47	.66
34.49	34.87	34.66	30.96	32.61	28.51	32.54	39.90
5.64	5.58	4.31	4.94	4.91	4.00	4.97	7.57
8.83	11.59	11.82	11.45	10.58	8.52	11.93	11.08
1.50	1.30	1.46	1.09	1.29	.98	1.29	1.55
.68	.58	.75	.28	.60	.35	.54	.42
.96	.70	.40	.31	.28	.24	.39	.55
17.61	19.75	18.74	18.07	17.66	14.09	19.12	21.17
1.15	.96	1.32	1.11	1.21	1.06	.80	.90
.31	.22	.19	.33	.18	.53	.52	.44
2.96	2.68	3.85	2.69	3.64	2.84	3.01	4.47
4.42	3.86	5.36	4.13	5.03	4.43	4.33	5.81
2.05	1.78	2.76	1.72	2.62	1.02	2.16	2.04
.77	.68	.54	.90	.65	.58	.53	.92
.33	.50	.25	.71	.14	.41	.24	.50
1.01	1.21	1.66	1.55	2.06	1.16	1.54	1.34
.83	.84	1.05	.51	.94	.98	.76	.84
3.29	3.79	3.69	2.85	3.63	2.66	3.15	4.17
8.28	8.80	9.95	8.24	10.04	6.81	8.38	9.81
30.31	32.41	34.05	30.44	32.73	25.33	31.83	36.79
4.18	2.46	.61	.52	(.12)	3.18	.71	3.11
1.01	1.38	1.39	1.59	1.51	1.13	1.78	.92
5.19	3.84	2.00	2.11	1.39	4.31	2.49	4.03
19.84%	11.29%	7.94%	6.80%	6.40%	14.29%	10.21%	14.55%
41.41%	27.70%	24.98%	22.75%	29.13	27.53%	30.59%	41.88%
3.27x	3.29x	3.58x	3.83x	2.78x	4.04x	4.00x	5.24x
.91x	1.28x	.97x	1.18x	.66x	1.39x	1.32x	1.63x
79.24%	71.64%	105.49%	97.30%	130.56%	64.17%	75.71%	55.72%
2.85x	2.81x	2.41x	2.16x	2.28x	3.55x	3.45x	2.60x
4.31x	4.27x	3.60x	3.10x	3.34x	4.92x	5.08x	4.28x
$33.45	$35.77	$27.88	$34.62	$32.93	$33.63	$24.62	$28.34
21.51x	9.96x	22.12x	11.05x	19.65x	22.75x	17.77x	23.28x
2.13x	1.71x	1.92x	1.64x	2.01x	2.02x	2.33x	2.32x
3.82x	2.94x	3.95x	3.23x	4.63x	3.31x	4.10x	3.61x
4.34x	3.60x	3.54x	2.88x	4.01x	4.21x	4.42x	3.61x
.83%	.49%	1.10%	.48%	1.36%	.32%	1.12%	1.08%
33.10%	38.63%	28.50%	46.49%	23.43%	31.63%	30.83%	32.39%
74.63%	72.93%	79.95%	77.18%	81.84%	73.08%	77.84%	80.00%
4,619	6,070	7,039	6,448	6,027	7,920	6,742	5,139
$139.64	$132.98	$98.36	$75.35	$85.27	$156.94	$114.34	$122.67
8,205	9,140	10,527	10,131	9,078	11,057	10,255	7,550
$89.14	$83.77	$65.25	$57.40	$58.18	$118.83	$75.73	$83.94
$73,284	$68,644	$46,137	$70,875	$69,188	$117,583	$83,800	$68,008
$10.91	$9.72	$9.32	$18.15	$10.09	$15.19	$16.13	$9.02

Number Of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	705	100
Net Sales Volume	$664,237	$759,066
Current Year's Sales vs. Previous Year*	+7.50%	+8.21%
Gross Sales	102.13%	102.21%
Less: Total Deductions	2.13	2.21
Net Sales	100.00%	100.00%
Cost of Goods Sold	67.08	66.50
Margin Before Purchase Rebate or Patronage Dividend	32.92	33.50
Purchase Rebate or Patronage Dividend	1.07	.85
Margin After Purchase Rebate or Patronage Dividend	33.99	34.35
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	5.05	4.16
Salaries/Wages — Other Employees	10.89	11.95
Federal and State Payroll Taxes	1.41	1.28
Group Insurance	.66	.67
Benefit Plans	.44	.39
Total Payroll and Other Employee Expense	18.45	18.45
Occupancy Expense		
Heat, Light, Power, Water	1.15	1.27
Building Repairs and Maintenance	.25	.24
Rent or Ownership in Real Estate**	3.46	3.85
Total Occupancy Expense	4.86	5.36
Other Costs of Doing Business		
Advertising and Promotion	2.25	2.47
Insurance (Other than Real Estate and Group)	.66	.56
Taxes (Other than Real Estate and Payroll)	.31	.28
Interest (Other than Real Estate)	1.47	1.88
Depreciation (Other than Real Estate)	.94	.93
All Other Expenses	3.61	3.30
Total Other Costs of Doing Business	9.24	9.42
Total Operating Expenses	32.55	33.23
Operating Profit or Loss	1.44	1.12
Other Income	1.49	1.55
Net Operating Profit or Loss (Before Income Taxes)	2.93	2.67
Financial Performance		
Profit on Investment	10.77%	13.82%
Active Owner's Return	29.35%	35.41%
Current Asset Ratio	3.64x	2.78x
Quick Asset Ratio	1.09x	.71x
Total Debt to Tangible Net Worth	88.58%	136.97%
Stock Turn Times	2.60x	2.52x
Sales to Inventory Ratio	3.88x	3.79x
Average Inventory per Sq. Ft. Sales Area	$28.31	$69.90
Net Sales to Accounts Receivable	18.22x	20.34x
Net Sales to Total Assets	1.95x	2.19x
Net Sales to Net Worth	3.68x	5.19x
Net Sales to Net Working Capital	3.66x	4.42x
Other Operating Data		
Incoming Freight — % of Purchases	.92%	.90%
Credit Sales — % of Total Gross Sales	32.78%	27.35%
Consumer Sales — % of Total Gross Sales	77.93%	79.36%
Selling Area — Square Feet	6,005	7,205
Sales Per Square Foot — Selling Area	$111.93	$109.11
Total Area — Square Feet	9,083	11,114
Sales Per Square Foot — Total Area	$74.17	$72.34
Sales Per Person Employed	$59,439	$76,121
Sales Per Customer	$10.88	$11.98

*As reported to us by The Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

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Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hard-lines retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

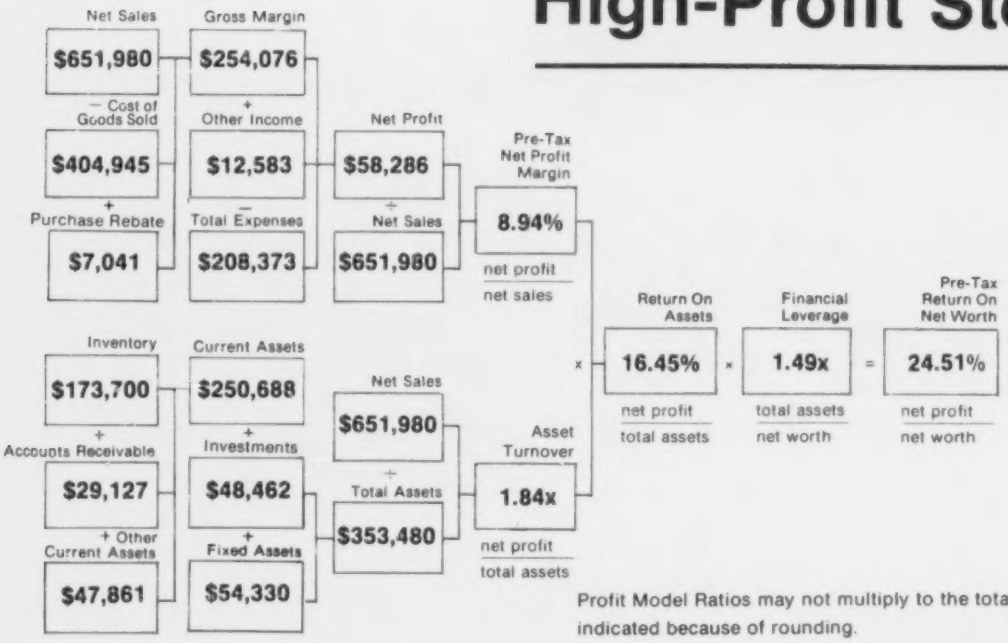
Fixed Assets — Divide Net Sales by Fixed Assets, a substantially lower than industry average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Stores



Profit Model Ratios may not multiply to the totals indicated because of rounding.

Departmental Sales

The Departmental Sales section of the Financial Report offers a variety of information for fourteen major departments carried in the hardlines industry's retail outlets.

Departmental Contributions

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand Tools, Paint & Home Decorating and Automotive Supplies. Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{50.0}$	= 30.0%
Hand Tools	$\frac{10.0}{50.0}$	= 20.0%
Paint & Home Decorating	$\frac{20.0}{50.0}$	= 40.0%
Automotive Supplies	$\frac{5.0}{50.0}$	= 10.0%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint & Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space, inventory and cost of goods sold.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page, examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: hardware, plumbing, heating & cooling and electrical supplies. Margin evaluations alone would indicate major appliances & home entertainment to be below average performance.

An additional measure is the sales to inventory ratio (net sales divided by average inventory at cost). On the basis of this ratio alone, paint & home decorating, electrical supplies, plumbing, heating & cooling, and automotive supplies exceed all the other department averages.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio. Lawn and Garden's GMROI, for example, is 1.37 which means $1.37 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditionally low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	17.5	18.5	17.3	110.73	17.5	18.5	17.3
Hand Tools	100.0	6.7	6.9	7.5	121.24	6.7	6.9	7.5
Power Tools & Accessories	100.0	4.7	4.4	5.4	104.13	4.7	4.4	5.4
Plumbing, Heating & Cooling	100.0	12.8	12.2	13.3	137.57	12.8	12.2	13.3
Electrical Supplies	100.0	9.6	7.9	8.5	147.41	9.6	7.9	8.5
Paint & Home Decorating	96.1	12.2	12.8	11.5	124.60	11.2	11.8	10.5
Lumber	12.8	5.7	2.9	2.6	63.65	.7	.5	.4
Building Materials	31.3	4.7	4.0	3.2	95.93	1.3	1.0	1.0
Lawn & Garden	93.1	11.5	12.6	11.2	115.65	10.2	11.5	10.0
Housewares	87.3	9.3	13.7	11.6	71.16	7.6	11.1	9.5
Automotive Supplies	68.3	4.4	4.2	3.9	146.70	2.8	2.7	2.6
Major Appliances & Home Entertainment	26.4	9.8	9.3	10.7	113.88	2.3	1.4	2.0
Sporting Goods & Outdoor Living	68.6	5.2	7.6	6.6	87.56	3.3	4.3	3.9
Miscellaneous Goods	70.9	13.6	11.0	13.2	127.92	9.3	5.8	8.1
						100.0	100.0	100.0

Productivity

Department	Typical Store Profile: Gross Margin %	Sales To Inventory Ratio	Gross Margin Return on Inventory GMROI
Hardware	42.7	3.6x	1.53
Hand Tools	37.5	3.9x	1.47
Power Tools & Accessories	30.7	3.2x	.98
Plumbing, Heating & Cooling	41.1	4.5x	1.85
Electrical Supplies	39.9	4.6x	1.85
Paint & Home Decorating	37.6	4.2x	1.57
Lumber	28.1	2.6x	.72
Building Materials	33.1	2.7x	.89
Lawn & Garden	35.4	4.0x	1.40
Housewares	34.1	3.0x	1.03
Automotive Supplies	33.9	4.4x	1.50
Major Appliances & Home Entertainment	25.4	3.5x	.88
Sporting Goods & Outdoor Living	31.4	3.1x	.96
Miscellaneous Goods	34.0	4.6x	1.57

The Computer Age In Retailing

A growing number of retailers are beginning to use computers for item-inventory control, and what they are finding will ultimately materially change the way many retailers operate their businesses.

The National Retail Hardware Association has been conducting research among a group of these computerized retailers for more than a year in an effort to determine the rate of sale of various items and to determine which items sell slowest.

Any retailers receiving this cost-of-doing business report who are on item-inventory control and who would like to participate in this major industry research project (on an entirely confidential basis) should contact Bob Vereen, Senior Vice President, National Retail Hardware Association to receive full details of the research plan.

What Has Been Learned So Far

With the cooperation of Triad Systems Corp., an initial group of some 36 retailers operating 48 stores were contacted and asked to supply complete information on their 1984 sales history and year-end inventories. Triad then used specialized computer programs to summarize the inventory data from these stores.

The stores represent all sections of the country, from small towns to major metro markets, and buy from a variety of wholesale sources.

Estimated sales volume per store during 1984 was $1.3 million, with an average year-end inventory of $315,167. On balance, it could be assumed that these stores are "better than average."

Product sales were classified by sales velocity: "A" items representing 70% of sales; "B" items the next 15%; "C" items the next 10%; "D" items the last 5%; and "X" items being those that had not sold even one piece in 12 months.

What was learned is disturbing. Items that did not sell even one piece in a year or which contributed only the last 5% of sales accounted for 43.2% of total inventory.

Of the important "A" items, those that account for 70% of their sales, inventory of these items was only 28.1% of the total. This indicated stores may have been out of stock on some of these "A" items while seriously overstocked on "D" items, and of course carrying far too many "X" items.

One should certainly begin to evaluate the stocking levels of slow-moving items. Those cooperating retailers which have been on computerized inventory control for more than a year already have begun either eliminating items or sharply reducing inventory levels of slower-selling items, thereby substantially increasing gross margin return on inventory (GMROI).

NRHA's analysis indicates that about 15% of one's item-inventory count will represent 70% of volume. It seems to be holding true regardless of department—tools, hardware, etc.

Further analysis of the initial data compiled by Triad for NRHA's research study indicates that the industry must do a better job of variable pricing, inasmuch as average margin on "A" items for the 48 reporting stores was 38.47% while margins on slow-moving "C" and "D" items was just a shade above 40%.

It is quite likely that most retailers may have some of their own "A" items priced too high in relation to competition, thereby fostering a high-priced image, and taking too low a markup on the slow-selling service items that they carry for customer convenience.

NRHA will be developing a new service, THE TURNOVER HANDBOOK, based on further analysis of this data, which will consist of generic listings of "A", "B", "C", and "D" items to help retailers improve their stockturns and GMROI. It is expected to be available early in 1986 and will be licensed for individual store use at a reasonable fee.

Further information can be obtained from any of the state and regional hardware associations affiliated with the National Retail Hardware Association, NRHA or Home Center Institute.

Bob Vereen, Senior Vice President
770 North High School Road
Indianapolis, Indiana 46224

Yes, I would be interested in further information about the Item-Inventory Control Research Project.

Please contact me at:

Name _____

Position _____

Firm _____

Address _____

City & State _____ *Zip* _____

Affiliated Associations

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